

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2021 and 2020

With Independent Auditor's Report

CONTENTS

| | |
|-------------------------------------|-------|
| INDEPENDENT AUDITOR'S REPORT | 1 – 2 |
|-------------------------------------|-------|

FINANCIAL STATEMENTS

| | |
|---|--------|
| Consolidated statements of financial position | 3 |
| Consolidated statements of activities and changes in net assets | 4 |
| Consolidated statements of functional expenses | 5 |
| Consolidated statements of cash flows | 6 |
| Consolidated notes to financial statements | 7 – 26 |

SUPPLEMENTARY INFORMATION

| | |
|--|---------|
| Consolidating statements of financial position | 27 – 28 |
| Consolidating statements of activities and changes in net assets | 29 – 30 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
MCAmericas Holdings, Inc. and Subsidiaries
El Paso, Texas

Opinion

We have audited the consolidated financial statements of MCAmericas Holdings, Inc. and subsidiaries (the Company), which comprise the consolidated statement of financial position as of December 31, 2021 and 2020, the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements collectively, the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that

an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Zuttenbach, Baschaw, & Company

El Paso, Texas
February 25, 2022

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidated Statements of Financial Position

December 31, 2021 and 2020

| Assets | 2021 | 2020 |
|---|---------------|-------------|
| Current assets: | | |
| Cash and cash equivalents (Note 3) | \$ 4,708,189 | 4,233,027 |
| Grants, contributions and accounts receivable, net (Notes 4 and 5) | 2,170,706 | 2,019,017 |
| Prepaid expenses and other current assets | 66,731 | 65,748 |
| Total current assets | 6,945,626 | 6,317,792 |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents (Notes 3, 4 and 8) | 1,358,096 | 1,496,496 |
| Contributions receivable restricted to investment in property and equipment, net | — | 40,483 |
| Property and equipment, net (Notes 6 and 8) | 44,297,989 | 41,999,342 |
| Other | 627,076 | 654,761 |
| Total assets | \$ 53,228,787 | 50,508,874 |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable | \$ 320,377 | 247,689 |
| Accrued expenses and other liabilities | 57,109 | 58,058 |
| Contributions payable (Note 7) | 612,000 | 612,000 |
| Current portion of long-term debt (Note 8) | 297,630 | 284,375 |
| Deferred lease revenue | 114,986 | 121,768 |
| Refundable advances | 347,710 | — |
| Total current liabilities | 1,749,812 | 1,323,890 |
| Deferred lease revenue (Note 11) | 1,900,637 | 2,012,048 |
| Long-term debt, net (Note 8) | 41,135,114 | 38,940,115 |
| Total liabilities | 44,785,563 | 42,276,053 |
| Net assets: | | |
| Without donor restrictions | 3,452,146 | 3,410,554 |
| With donor restrictions (Note 13) | 4,991,078 | 4,822,267 |
| Total net assets | 8,443,224 | 8,232,821 |
| Commitments (Notes 4, 7, 9 and 11) | | |
| Total liabilities and net assets | \$ 53,228,787 | 50,508,874 |

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidated Statements of Activities and Changes in Net Assets

Years ended December 31, 2021 and 2020

| | 2021 | | | 2020 |
|---|--|---|--------------|--------------|
| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total | Total |
| Changes in net assets | | | | |
| Revenue and support: | | | | |
| Contributions | \$ 417,190 | 277,279 | 694,469 | 425,355 |
| Grants (Note 4) | 970,399 | 2,736,318 | 3,706,717 | 3,059,241 |
| In-kind (Note 10) | 270,222 | — | 270,222 | 229,281 |
| Rental revenues (Note 11) | 2,938,613 | — | 2,938,613 | 2,311,584 |
| Interest | 1,765 | — | 1,765 | 3,502 |
| Gain on sale of property | — | — | — | 236,932 |
| Other | 2,872 | — | 2,872 | 60,756 |
| Total revenue and support | 4,601,061 | 3,013,597 | 7,614,658 | 6,326,651 |
| Net assets released from donor restrictions | 2,844,786 | (2,844,786) | — | — |
| Total | 7,445,847 | 168,811 | 7,614,658 | 6,326,651 |
| Expenses: | | | | |
| Programs: | | | | |
| Biomedical Cluster | 2,351,788 | — | 2,351,788 | 2,454,413 |
| Infrastructure | 4,187,656 | — | 4,187,656 | 3,899,153 |
| Other | 128,248 | — | 128,248 | 134,558 |
| Supporting activities: | | | | |
| Management and general | 734,235 | — | 734,235 | 657,033 |
| Fundraising | 2,328 | — | 2,328 | 44,862 |
| Total expenses | 7,404,255 | — | 7,404,255 | 7,190,019 |
| INCREASE/(DECREASE) IN NET ASSETS | 41,592 | 168,811 | 210,403 | (863,368) |
| NET ASSETS, Beginning of year | 3,410,554 | 4,822,267 | 8,232,821 | 9,096,189 |
| NET ASSETS, End of year | \$ 3,452,146 | 4,991,078 | 8,443,224 | 8,232,821 |

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidated Statements of Functional Expenses

Years ended December 31, 2021 and 2020

| | Programs | | | | Supporting Activities | | | | |
|---|-------------------------------|-----------------------|--------------|---------------------------|-----------------------------------|--------------------|-----------------------------|-----------------------|-----------------------|
| | Biomedical Cluster | Infrastructure | Other | Total Programs | Management and General | Fundraising | Total Supporting | 2021 Total | 2020 Total |
| Salaries | \$ 689,478 | 305,191 | 69,709 | 1,064,378 | 440,151 | 792 | 440,943 | 1,505,321 | 1,355,025 |
| Employee benefits | 59,297 | 31,157 | 7,238 | 97,692 | 55,234 | 35 | 55,269 | 152,961 | 138,447 |
| Payroll taxes | 49,525 | 21,579 | 5,121 | 76,225 | 29,959 | 46 | 30,005 | 106,230 | 94,047 |
| Total salaries and related expenses | 798,300 | 357,927 | 82,068 | 1,238,295 | 525,344 | 873 | 526,217 | 1,764,512 | 1,587,519 |
| Travel, training, meetings & other | 14,390 | 929 | 42,718 | 58,037 | 6,202 | 1 | 6,203 | 64,240 | 36,808 |
| Professional and contract services | 278,853 | 4,785 | — | 283,638 | 46,114 | — | 46,114 | 329,752 | 538,081 |
| Marketing & promotion | 45,652 | — | — | 45,652 | 24,768 | 1,425 | 26,193 | 71,845 | 33,625 |
| Office & administrative expense | 74,435 | 17,351 | 3,419 | 95,205 | 32,812 | 29 | 32,841 | 128,046 | 100,509 |
| Contributions expense | — | 612,000 | — | 612,000 | — | — | — | 612,000 | 612,000 |
| Building expenses | 240,504 | 523,026 | — | 763,530 | 15,263 | — | 15,263 | 778,793 | 687,697 |
| Depreciation & amortization | 320,982 | 864,015 | — | 1,184,997 | 22,126 | — | 22,126 | 1,207,123 | 1,213,576 |
| Insurance | 435 | 69,870 | 43 | 70,348 | 8,234 | — | 8,234 | 78,582 | 71,515 |
| In-kind expense | 241,708 | — | — | 241,708 | 28,514 | — | 28,514 | 270,222 | 229,281 |
| Interest | 336,529 | 1,737,753 | — | 2,074,282 | 24,858 | — | 24,858 | 2,099,140 | 2,079,408 |
| Total expenses reported by function on the Statement of Activities | \$ 2,351,788 | 4,187,656 | 128,248 | 6,667,692 | 734,235 | 2,328 | 736,563 | 7,404,255 | 7,190,019 |

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows
Years ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|--------------------|
| Cash flows from operating activities: | | |
| Cash receipts from operations: | | |
| Cash received from donors | \$ 686,178 | 388,554 |
| Cash received from private grants | 183,207 | 150,000 |
| Cash received from government grants | 3,519,427 | 2,894,980 |
| Cash received from rents | 2,806,545 | 2,242,940 |
| Interest received | 1,355 | 3,502 |
| Other receipts | 3,675 | 73,885 |
| Cash disbursements from operations: | | |
| Cash paid for salaries, wages & benefits | (1,776,811) | (1,588,466) |
| Cash paid to vendors and suppliers | (1,398,846) | (1,493,526) |
| Awards paid | (4,500) | — |
| Grant paid | (612,000) | (612,000) |
| Interest paid | (1,835,375) | (1,540,272) |
| Net cash from operating activities | <u>1,572,855</u> | <u>519,597</u> |
| Cash flows from investing activities: | | |
| Acquisition and construction of property and equipment | — | (3,726,190) |
| Purchases of property & equipment | (165,201) | — |
| Purchases of land | (3,284,095) | (1,919,877) |
| Proceeds from sale of property | — | 774,591 |
| Proceeds from insurance claim | — | 127,583 |
| Net cash used in investing activities | <u>(3,449,296)</u> | <u>(4,743,893)</u> |
| Cash flows from financing activities: | | |
| Collections from contributions restricted to investment in property & equipment | 50,000 | 50,000 |
| Payments on long-term debt | (281,797) | (639,679) |
| Proceeds from long-term debt, net of debt issuance cost | 2,445,000 | 1,272,685 |
| Proceeds from short-term borrowings, net | — | 222,400 |
| Reimbursement of tenant improvements | — | 2,226,883 |
| Net cash provided by financing activities | <u>2,213,203</u> | <u>3,132,289</u> |
| Net increase (decrease) in cash and restricted cash and cash equivalents | 336,762 | (1,092,007) |
| Cash and restricted cash and cash equivalents, beginning of year | <u>5,729,523</u> | <u>6,821,530</u> |
| Cash and restricted cash and cash equivalents, end of year | <u>\$ 6,066,285</u> | <u>5,729,523</u> |

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

1. DESCRIPTION OF ORGANIZATION

MCAmericas Holdings, Inc. was formed and incorporated in the State of Texas as a non-profit supporting organization, exempt from federal income tax under Sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code ("Code"). MCAmericas Holdings, Inc. is a holding company that operates through its subsidiary companies which consist of the following (collectively "MCA"):

- Medical Center of the Americas Foundation ("Foundation"), a Texas non-profit corporation exempt from federal income tax under sections 501(c)(3) and 170(b)(1)(A)(vi) of the Code.
- BMIA, Inc. (dba "RedSky"), a Nevada corporation subject to federal income tax under Subchapter C of the Code and wholly-owned subsidiary of Foundation;
- MCAmericas Realty, Inc. ("MCAR"), a Texas non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Code;
- MCA Tech Park, Inc. ("Tech Park"), a Texas non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Code;
- MCA Revere Realty, Inc. ("Revere"), a Texas non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Code.

MCA's mission is to catalyze the life sciences ecosystem in the Paso del Norte region, and its vision is to cultivate a dynamic regional biomedical health industry and innovation/entrepreneurship ecosystem that competes globally. MCA also aims to create a world class medical center within the Medical Center of the Americas campus that will foster and accelerate biomedical and healthcare innovation, creating new employment opportunities and meeting health care needs of the region's current and future citizens. This biomedicine-driven economic development mission is being accomplished through a series of strategic activities involving both physical and programmatic initiatives focused on discovery, development and deployment building blocks to harness and grow regional assets consisting of biomedical and healthcare research, demographics providing for distinctive clinical trials capability, adaptive workforce and logistics and manufacturing capabilities that can accommodate biomedical business environments in the region. MCA is committed to creating a biomedical industry by accelerating the elements that make up a biomedical and innovation ecosystem from assisting with workforce development, facilitating access to capital, creating environments ripe for collaborative research and unlocking the region's entrepreneurial potential.

In order to support MCA with this mission, the City of El Paso ("City") signed an Economic Development Program Grant Agreement ("Grant") with Foundation on February 7, 2012 pursuant to Chapter 380 of the Texas Local Government Code for the purposes of promoting local economic development and stimulating business and commercial activity within the city of El Paso. Foundation was awarded this Grant based upon its economic development plan consisting of biomedical cluster specific programs and related infrastructure projects as defined in the Grant ("Project") that may, over time, be a significant economic generator

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

1. DESCRIPTION OF ORGANIZATION (continued)

for the City and attract and retain economic development in the City's targeted industries.

MCA's principal programs consist of the following:

- **Biomedical Cluster:** This program consists of activities designed to improve the translational research business model and spur regional economic growth by supporting new startup companies to advance commercially viable inventions from regionally-relevant intellectual property and providing a regional entrepreneurial economic engine to position the region as a hub of excellence for global healthcare innovation as well as bringing solutions to the region's health challenges while elevating the quality of healthcare for its residents with potentially advanced life-saving or life-improving technology.
- **Infrastructure:** This program consists of activities directed to the development of the physical infrastructure needed to support the Biomedical Cluster by establishing the region's first biomedical and healthcare research park, beginning with its anchor building, the Cardwell Collaborative (Note 6), as well as providing funding for the development of Texas Tech University Health Sciences Center Gayle Greve Hunt School of Nursing building (Note 7).

MCA's program activities are conducted by its various subsidiaries as follows:

- Foundation was organized on November 27, 2006 and provides management and administrative activities necessary to provide support for the organization's program activities. Management and general activities include those that provide governance, oversight, board management, executive management, financial management, accounting, budgeting, legal support, tax exempt compliance, human resource management and other similar activities to MCA affiliates. Fundraising activities include publicizing and conducting fundraising campaigns, maintaining donor lists, and other activities involved with soliciting grants and philanthropic contributions from corporate and individual donors. Other activities include Biomed programs aimed at spurring innovation and entrepreneurship in the region by awarding grants and proof of concept funding for biomedical and healthcare startups, research and collaboration, including clinical research and trials, as well as serve as a regional resource to all institutions of higher education, entrepreneurs and others who wish to start a high tech company in the biomedical space or any way that touches life sciences or healthcare.
- RedSky was organized on May 4, 2012 to establish, launch and scale operations for the discovery, development and deployment of biomedical innovation in the Paso del Norte region by providing a bridge for university research and intellectual property to the marketplace. During 2015, it was reorganized to facilitate future access to capital to the MCA innovation ecosystem and serve as an entity to conduct future for-profit activities.
- Tech Park was organized on July 14, 2011 for the development and long-term

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

1. DESCRIPTION OF ORGANIZATION (continued)

growth of a vibrant, state-of-the-art research park for life sciences and healthcare, beginning with a 60,000 square foot anchor building, the Cardwell Collaborative (Note 6).

- MCAR was organized on December 14, 2009 for the special purpose of investing, acquiring and managing income-producing real property for future development.
- Revere was organized on July 30, 2014 for the special purpose of acquiring a certain parcel of undeveloped land from the City of El Paso for future developments. During 2020, Revere completed construction of a 33,500 square foot mental wellness clinic which is leased to the U.S. Government ("Government") for the Department of Veterans Affairs (Notes 6 and 11).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MCA prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies are described in the following sections to enhance usefulness and understandability of the financial statements.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of MCAmericas Holdings, Inc., which is the sole member of Medical Center of the Americas Foundation and its subsidiary (RedSky), MCAmericas Realty, Inc., MCA Tech Park, Inc. and MCA Revere Realty, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Financial Statement Presentation – Net assets, support and revenues and expenses are classified based upon the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets available for use in general operations and not subject to donor or certain grantor restrictions
- **Net Assets With Donor Restrictions** – Net assets subject to donor- (or grantor-) imposed restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

Leases – For the year ended December 31, 2020, MCA early adopted FASB’s ASU 2016-02, Leases (Topic 842) and related amendments using a modified retrospective transition approach for a leasing arrangement commencing during 2020 and leases existing at the date of initial application. The new standard provides a number of optional practical expedients in transition, which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification, and initial direct costs. All leases continue to be classified as operating leases under the new standard and accordingly, adoption of the new standard does not have a material effect on the financial statements presented.

MCA recognizes lease payments for operating leases as revenue on a straight-line basis over the lease term which vary in length up to 20 years, with certain leases containing options to renew. None of the leases grant any right to purchase the underlying asset.

MCA has elected to not separate lease from non-lease components. For leases in which the lease and non-lease components have been combined, the variable lease component includes expenses such as common area maintenance, utilities and repairs and maintenance.

Revenue Recognition – Contributions are recognized when the donor makes a promise to give to MCA that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Gifts restricted to the acquisition or construction of long-lived assets are reported as revenue with donor restrictions and released to net assets without donor restrictions when long-lived assets are placed in service.

Contributions to be received after one year are recorded at fair value using present value techniques discounted at an appropriate discount rate commensurate with the risk involved, net of estimated uncollectible amounts. Amortization of the discount is recorded as additional contribution revenue.

Conditional contributions, that is, those with a measurable performance or other barrier, and a right of return, are recognized as revenue when the conditions on which they depend have been substantially met.

Consequently, at December 31, 2021, contributions approximating \$348,000 have not been recognized in the accompanying Consolidated Statement of Activities because the conditions on which they depend have not yet been met. Such amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Consolidated

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of Financial Position.

A portion of revenue is derived from cost-reimbursable federal grants. Amounts are recognized as revenue when expenditures have been incurred in compliance with specific grant provisions.

No amounts have been received in advance under our federal grants.

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by MCA and are recognized either over time or at a point in time. Revenue for performance obligations satisfied over time is recognized based upon actual charges incurred through a point in time in relation to total actual charges incurred. Revenue for performance obligations satisfied at a point in time are recognized when goods or services are provided to the recipient, and it is not required to provide additional goods or services.

Cash and Cash Equivalents – Cash equivalents consist of a money market account with a high quality banking institution in El Paso, Texas.

Restricted Cash and Cash Equivalents – Represent amounts pledged as security for long-term financing arrangements as contractually required. A substantial portion of such funds are held in a money market account with a high quality banking institution in El Paso, Texas and are reported at fair value.

Property and Equipment, net – Property and Equipment are stated at cost or at estimated fair market value at the date of the gift, if donated. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets.

When assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in operating activities. Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are charged to operating activities as incurred.

Concentrations of Risk – MCA maintains cash balances and money market funds with a high quality financial institution in El Paso, Texas. Cash accounts are insured by the FDIC for up to \$250,000. Although at times balances in bank deposit accounts with such banking institution may exceed federally insured limits, management believes MCA is not exposed to significant credit risk on those amounts.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

MCA receives a substantial amount of its support from public and private contributions primarily located in the El Paso, Texas borderplex region. In 2021 and 2020, approximately 37 percent and 42 percent, respectively, of MCA's total revenues and support is provided by the City of El Paso pursuant to the Grant with Foundation (Note 4). Therefore, MCA's ability to continue as a going concern is dependent on the level of support received from such contributions and the economic health of the region.

Credit risk with respect to receivables is limited due to high historical collection rates and because the outstanding amounts are due from governmental agencies, Board members and organizations supportive of MCA's mission. The allowance for doubtful pledges is based upon historical experience, an assessment of economic conditions and a review of subsequent collections. Amounts are written off when deemed uncollectible.

Management Estimates and Assumptions – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported periods. On an ongoing basis, MCA's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. MCA's management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Expense Recognition and Allocation – Significant expenses that relate to two or more programs or support activities are allocated to the respective programs and activities. These costs principally relate to occupancy and support costs and are allocated based upon estimated usage, time spent or square footage. The cost of providing MCA's programs and other activities is summarized on a functional basis in the Consolidated Statements of Functional Expenses.

Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

Management and general expenses include those costs that are not directly identifiable with any specific program but which provide for the overall support and direction of MCA.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. MCA generally does not conduct its fundraising activities in conjunction with its other activities.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Analysis for Impairment – Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based upon a comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based upon the fair value of impaired assets. In management's opinion, there is no impairment of MCA's long-lived assets at December 31, 2021 and 2020.

Donated Materials, Equipment, and Services – Donated materials and equipment are recorded as contributions at their estimated fair values at the date of receipt. In-kind services, which are defined as donations of services that would have to be purchased in order for MCA to operate if not donated, are recorded as revenue and expenses in the Statements of Activities for the fair market value of the services received. Volunteer services, which are not considered necessary for operations to continue, are not reflected in the financial statements, as no objective basis is available to measure the value of such services.

Debt Issuance Costs – Debt issuance costs are reported as a direct deduction from the face amount of the related debt and are amortized over the term of the respective debt using the straight-line method which approximates the interest rate method. Amortization expense of approximately \$358,000 was recorded in 2021 and \$327,000 in 2020.

Income Tax Status – MCAmericas Holdings, Inc., Foundation, Tech Park, MCAR and Revere are non-profit organizations exempt from federal income taxes under Section 501(c)(3) of the Code. Accordingly, no liability or provision for federal income and state franchise taxes is included in the accompanying consolidated financial statements. However, income from activities not directly related to their tax-exempt purposes is subject to taxation as unrelated business income. There was no tax on unrelated business income in 2021 and 2020.

Each MCA entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. Each MCA entity is subject to audit by taxing authorities; however, there are currently no audits for any tax periods in progress. The tax years ending after 2017 are still open to audit for both federal and state purposes.

Contributions to MCA are tax deductible to donors under Section 170 of the Code. MCA is not classified as a private foundation within the meaning of Sections 170(b)(1)(A)(vi) and 509(a)(1) and (3) of the Code.

RedSky is a C corporation that is not a tax exempt entity for federal income tax purposes and does not meet the definitional requirements of Section 501(c)(3) of the Code. RedSky accounts for income taxes under the asset and liability method pursuant to FASB ASC 740. Deferred tax assets and liabilities are recognized for the future tax consequences attributable

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets are evaluated as to their recoverability and a valuation allowance is established if necessary to reduce deferred tax assets to an amount that is more likely than not to be realized. Accrued interest and penalties, if any, related to unrecognized tax benefits are recorded as a component of income tax expense.

Under U.S. generally accepted accounting principles, a tax provision resulting from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date in order to be recognized. Management has analyzed the tax positions taken by MCA, and has concluded that as of December 31, 2021 and 2020, no uncertain tax positions have been taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Related Party Transactions – MCA bylaws incorporate a conflict of interest policy. The purpose of this is to protect MCA's interests when it is contemplating a transaction or arrangement that might benefit the private interest of a member of its Board of Directors or officers. A person who has a financial interest may have a conflict of interest only if the Board of Directors decides that a conflict of interest exists. All members of the Board, officers and professional staff complete a conflict of interest document when joining MCA as well as annually, when changes occur, or when business interests change.

Prior Year Information – Certain prior year amounts have been reclassified to conform to the current year's financial statement presentation. The reclassifications had no impact on previously reported net assets.

Subsequent Events – Management has evaluated subsequent events through February 25, 2022 the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the consolidated financial statements except as disclosed in Note 16. Events occurring after that date have not been evaluated to determine whether a change in the consolidated financial statements would be required.

3. LIQUIDITY AND AVAILABILITY

MCA is substantially supported by restricted contributions with a significant portion from the City of El Paso pursuant to a Grant Agreement as more fully described in Note 4. Because such contributions' restrictions require that financial assets be used in a particular manner or in a future period, MCA must maintain sufficient resources to meet those responsibilities to the City, donors, other grants and contractual obligations for use in

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

3. LIQUIDITY AND AVAILABILITY (continued)

current programs which are ongoing, major and central to MCA's annual operations. Consequently, MCA's liquidity management policy is to structure its financial assets to be available as such expenditures, liabilities and other obligations come due in the normal course of its operations. In addition, MCA invests cash in excess of its daily requirements in money market funds with a high quality local banking institution.

MCA's financial assets due within one year of the balance sheet date available for its programs, operations, investment and debt service are as follows:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------------|-------------------------|
| Cash and cash equivalents | \$ 4,708,189 | 4,233,027 |
| Restricted cash and cash equivalents | <u>1,358,096</u> | <u>1,496,496</u> |
| Total cash and restricted cash and cash equivalents shown in the Statement of Cash Flows | 6,066,285 | 5,729,523 |
| Grants, contributions and accounts receivable | 2,170,706 | 2,019,017 |
| Contributions receivable restricted to investment in building and equipment | — | 40,483 |
| | \$ <u>8,236,991</u> | <u>7,789,023</u> |
| Less financial assets not available within one year: Restricted cash and cash equivalents | <u>(949,602)</u> | <u>(1,088,377)</u> |
| | \$ <u><u>7,287,389</u></u> | <u><u>6,700,646</u></u> |

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

4. CITY GRANT

On February 7, 2012, El Paso City Council approved the City of El Paso ("City") to enter into a Grant Agreement ("Grant") with Foundation for the development of biomedical cluster specific programs and infrastructure projects. Except for the first year, the Grant provides for quarterly payments through August 31, 2030 which are equivalent to 75 percent of the City's Impact Fund and are projected to total approximately \$60 million. The Impact Fund is collected from the franchise fee that the City charges El Paso Electric Company.

Grant payments, which are subject to annual appropriation by the City, are to be used to pay project costs and are subject to Performance Indicators and building component deadlines, as defined in such Grant.

Grant revenue is recognized when the conditions to the Grant have been substantially met through the annual appropriation of such funds and an assessment that Performance Indicators are substantially met. At December 31, 2021 and 2020, contributions receivable from the Grant were approximately \$2.1 million and \$2 million, respectively.

On February 3, 2015, the Grant was amended to provide that in the event of default under the Loan Agreement with Citizens Bank ("Lender"), as more fully described in Note 8, the City will cure any of Tech Park's payment defaults under the Loan Agreement and will continue to make payments to Lender as required until all sums owing to Lender are paid in full.

On July 26, 2016 as part of Tech Park's New Markets Tax Credit financing as more fully described in Note 8, the Grant was further amended to specify that the City will redirect Impact Funds to continue to pay Citizens and CDE (Community Development Entities) loans in the event of default under either the Grant or any of the Citizens and CDE loans and may exercise its rights under a subordinated lien agreement. In order to facilitate such amendment by the City, Foundation agreed to deposit and pledge approximately \$2.3 million into a money market account with a high quality local banking institution to secure the payment of Tech Park's obligations pursuant to an Account Pledge Agreement with the City. The parties agreed that the funds in such account may be used only to pay debt service on the Citizens and CDE loans. At December 31, 2021 and 2020, the remaining balance in such account was approximately \$400,000, and is included in restricted cash and cash equivalents in the accompanying Consolidated Statements of Financial Position.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

5. GRANTS, CONTRIBUTIONS AND ACCOUNTS RECEIVABLE

Grants, contributions and accounts receivable consisted of the following at December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|---------------------|--------------------|
| Grants receivable (Note 4) | \$ 2,148,015 | 2,021,766 |
| Unconditional promises to give | — | 2,131 |
| Other | 27,691 | 120 |
| Less: Allowance for doubtful pledges | <u>(5,000)</u> | <u>(5,000)</u> |
| | <u>\$ 2,170,706</u> | <u>2,019,017</u> |

All contributions and grants receivable at December 31 are due in less than one year.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

| | Estimated Useful Life (Years) | <u>2021</u> | <u>2020</u> |
|--------------------------------|--|----------------------|--------------------|
| Land & improvements | - | \$ 7,756,498 | 4,483,082 |
| Buildings & improvements | 8 - 40 | 40,644,573 | 40,478,622 |
| Furniture & fixtures | 5 - 7 | 792,852 | 792,024 |
| Lab equipment | 3 - 5 | 308,195 | 308,195 |
| Computer equipment | 3 | 122,935 | 113,690 |
| Office equipment | 3 - 5 | 164,845 | 159,374 |
| Program equipment | 2 - 5 | <u>22,393</u> | <u>—</u> |
| | | 49,812,291 | 46,334,987 |
| Less: Accumulated depreciation | | <u>(5,514,302)</u> | <u>(4,335,645)</u> |
| | | <u>\$ 44,297,989</u> | <u>41,999,342</u> |

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

6. PROPERTY AND EQUIPMENT (continued)

MCAR has acquired certain parcels of land aggregating approximately 12 acres which it intends to develop into future projects consistent with the MCA's mission. Such land held for development, which is located adjacent to MCA's existing developments, is included in Land & improvements and totals approximately \$5.2 million at December 31, 2021 and approximately \$1.9 million at December 31, 2020.

Depreciation expense for the years ended December 31, 2021 and 2020 was \$1,178,655 and \$1,186,372, respectively, and has been allocated to programs and supporting activities in the accompanying Consolidated Statements of Activities.

7. CONTRIBUTIONS PAYABLE

In June 2012, Foundation entered into the Nursing School Facility Funding Agreement ("Funding Agreement") with Texas Tech University Health Sciences Center (TTUHSC) to facilitate the development and construction of a new building within the MCA campus to house the Gayle Greve Hunt School of Nursing as one of the projects contemplated under Foundation's Grant with the City of El Paso (Note 4). Amounts under the Funding Agreement are payable in eighteen annual installments of \$612,000 each through December 31, 2029, totaling \$11,016,000. The annual payments are subject to annual appropriation of funds under the Grant Agreement and satisfaction of the conditions of the Funding Agreement, as specified therein. It is Foundation's intent that amounts reflected as contributions payable in the accompanying Consolidated Statements of Financial Position will be fulfilled.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

8. LONG-TERM DEBT

As of December 31, 2021 and 2020, long-term debt consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|--------------------|
| NMTC 2018 program issue notes payable to a Community Development Entity, net of unamortized debt issuance costs of \$478,254 in 2021 and \$610,132 in 2020 | \$ 15,361,746 | 15,229,868 |
| NMTC 2016 program issue notes payable to Community Development Entities, net of unamortized debt issuance costs of \$109,847 in 2021 and \$187,235 in 2020 | 11,120,153 | 11,042,765 |
| Citizens Term Loan, net of unamortized debt issuance costs of \$94,204 in 2021 and \$102,145 in 2020 | 9,674,574 | 9,950,985 |
| Note payable to bank (Note 15) | 2,200,000 | — |
| Non-interest bearing note payable to City of El Paso, net of unamortized discount of \$451,458 in 2021 and \$501,618 in 2020 | 1,448,542 | 1,398,382 |
| Note payable to bank, net of amortized debt issuance cost of \$6,826 in 2021 and \$8,885 in 2020 (Note 15) | 1,043,174 | 1,041,115 |
| Other | 584,555 | 561,375 |
| Less: Current portion | <u>(297,630)</u> | <u>(284,375)</u> |
| Noncurrent portion | <u>\$ 41,135,114</u> | <u>38,940,115</u> |

On December 21, 2018, Revere, as a qualified active low income community business ("QALICB"), secured from a community development entity ("CDE") \$15,840,000 in qualified loans eligible to receive the benefits of the federal new markets tax credit program ("NMTC") under Section 45D of the federal tax code to finance the development and construction of a mental wellness clinic ("Clinic") for lease to the Government for the Department of Veterans Affairs (Note 11). The property is located within a US population census tract found to be characterized by high economic distress and inadequate access to capital. The loans, which qualify as a "qualified low-income community investment" within the meaning of Section 45D of the tax code, are comprised of a Series A Promissory Note in the principal amount of \$10,883,216 and a Series B Promissory Note in the principal amount of \$4,956,784

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

8. LONG-TERM DEBT (continued)

(collectively "NMTC Notes"). The NMTC Notes which bear interest at a fixed rate of 4.12% are interest only through 2025 ("Compliance Period") with Series A maturing on December 21, 2025 and Series B maturing on December 1, 2052 with monthly principal and interest payments totaling \$41,107 beginning on January 1, 2040. The Series B Note is assignable to Holdings at the end of the Compliance Period.

The NMTC Notes are secured by mortgage and may not be prepaid at any time during the Compliance Period. The NMTC Notes include various covenants to comply with the program requirements of Section 45D of the tax code as well as financial reporting, certain cash reserves, additional debt, construction and other representations, warranties, covenants and indemnities customary for loans of this type. As of December 31, 2021 and 2020, Revere was in compliance with all of the NMTC Note covenants.

In February 2015, Tech Park as borrower and Holdings and Foundation as guarantors entered into a loan agreement with Citizens Bank of Las Cruces ("Citizens Loan") for an \$18.6 million loan to finance construction of the Cardwell Collaborative building. The Citizens Loan provided for a 27-month, interest only, construction loan followed by a 180-month permanent loan at the end of which the entire balance of unpaid principal and accrued unpaid interest will be due and payable in one lump sum. The permanent loan bears interest equal to the then 7-year Balloon, 20-year Standard Amortizing Rate quoted by the Federal Home Loan Bank of Dallas ("FHLB-Dallas") plus 325 basis points or 5.877%, fixed for the first 7 years of the 15 year term of the loan. At the end of the first 7 years, the rate of interest will be adjusted to the then 7-year Balloon, 15-year Standard Amortizing Rate quoted by FHLB-Dallas, plus 325 basis points, fixed for the final 8 years of the 15 year term of the loan, but not less than 5.45%. Beginning in June 2017, Tech Park began paying the first of 180 monthly installments of principal and accrued interest in the amount of \$69,507 based upon 25 year amortization. The borrowings, bearing interest of 5.877%, are collateralized by a first priority Deed of Trust lien on the property and improvements. During 2020, Tech Park negotiated a debt modification for the Citizens Loan consisting of a reduction of the stated interest rate to a market interest rate of 4.5% for the continuance of the existing debt. In accordance with generally accepted accounting principles, such modification has been accounted for as a continuation of the existing debt.

The Citizens Loan includes financial covenants requiring a fixed charge coverage ratio, annual audited financial statements, assignment of rents and other customary requirements of similar loan agreements. As of December 31, 2021 and 2020, Tech Park was in compliance with all of the Citizens Loan covenants.

In August 2016, Tech Park, as a QALICB, restructured approximately \$7.7 million of the Citizens Loan in connection with the New Markets Tax Credit ("NMTC") program pursuant to Section 45D of the Internal Revenue Code. As a result, Tech Park entered into loan

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

8. LONG-TERM DEBT (continued)

agreements totaling \$11,230,000 (Series A and Series B) with two Community Development Entities ("CDE Loans"). These CDE Loans, which bear interest at the rate of 4.42% per annum, are payable in monthly interest-only payments aggregating approximately \$42,000 through 2023 ("NMTC Compliance Period") at which time the balance of all outstanding principal and interest is due and payable for Series A loans totaling approximately \$7.7 million. In 2023, Series B loans totaling approximately \$3.5 million are assignable to Foundation and provide for interest only payments through 2031 at which time the first monthly amortizing payments begin through 2052. The CDE Loans are collateralized by a second priority Deed of Trust lien upon the property and improvements and the guaranty of Holdings and Foundation. The CDE Loans include covenants to comply with the program requirements of New Markets Tax Credits under Section 45D of the Internal Revenue Code as well as financial reporting, debt service coverage ratio, prepayment and other representations, warranties, covenants and indemnities customary for loans of this type. As of December 31, 2021 and 2020, Tech Park was in compliance with all of the CDE loan covenants.

In November 2014, Tech Park and Revere ("Buyer") entered into a Purchase Agreement with the City of El Paso for the purchase of two parcels of undeveloped land aggregating approximately 13 acres in the Medical Center of the Americas campus. The purchase price for the properties was \$2 million, of which \$100,000 was paid at closing and the remainder of which is evidenced by a promissory note in the amount of \$1,900,000 ("Note"). The Note is unsecured and non-interest bearing with a maturity date of August 31, 2030. Annual payments on the Note are only due when annual Grant payments (Note 4) exceed \$3 million and continuing each year thereafter in the amount of such excess until the Note is paid in full or matures on August 31, 2030. The Purchase Agreement also provides for certain covenants and restrictions regarding use and future transfers.

The interest-free Note of \$1.9 million has been recorded at fair value by discounting an estimate of future annual Grant payments in excess of \$3 million using an imputed interest rate of 4.75% which approximates Buyer's bank borrowing rate. Amortization of the discount was approximately \$50,160 for 2021 and \$44,000 for 2020.

Note payable to bank consists of a five-year promissory note secured by MCAR for the purchase in 2021 of a certain parcel of land for future development. The note bears interest at the rate of 3.325% and requires monthly interest-only payments for the first 24 months. Thereafter, principal and interest payments in the amount of \$10,659 are payable for the remaining 36 months, at which time all remaining principal and interest will be due and payable in full in one lump sum. The note is secured by the parcel of land.

Note payable to bank consists of a five-year promissory note secured by MCAR for the purchase in 2020 of a certain parcel of land for future development. The note bears interest at the rate of 4.25% and requires monthly interest-only payments for the first 24 months.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

8. LONG-TERM DEBT (continued)

Thereafter, principal and interest payments in the amount of \$6,537 are payable for the remaining 36 months, at which time all remaining principal and interest will be due and payable in full in one lump sum. The note is secured by the parcel of land.

Maturities of long-term debt, exclusive of debt issuance costs and unamortized discount totaling \$1,134,919, are as follows:

Year ending December 31,

| | |
|------------|----------------------|
| 2022 | \$ 319,960 |
| 2023 | 8,470,222 |
| 2024 | 425,932 |
| 2025 | 12,248,939 |
| 2026 | 2,432,015 |
| Thereafter | <u>18,676,266</u> |
| | <u>\$ 42,573,334</u> |

9. EMPLOYEE BENEFIT PLAN

MCA sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code ("Plan"). Employees who are 21 years of age and have completed 3 months of service, as defined, are eligible to participate in the salary reduction contributions of the Plan up to Internal Revenue Code limits. Under the Plan, MCA contributes a matching contribution of 100% of the first 3% of the participant's qualifying contributed pay plus 50% of the next 2% of the participant's qualifying contributed pay. MCA's contributions to the Plan, which are included in employee benefits in Consolidated Statements of Functional Expenses, were \$45,452 in 2021 and \$36,029 in 2020.

10. DONATED MATERIALS, EQUIPMENT AND SERVICES

As part of its Biomedical Cluster Program, MCA provides in-kind office and lab space to its Innovation Center program participants for each cohort term which it reports as in-kind revenues at the estimated fair value of similar space for rent at the date of the award and in-kind expense over the term of use.

MCA received in-kind revenue during 2021 and 2020 as follows:

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

10. DONATED MATERIALS, EQUIPMENT AND SERVICES (continued)

| | <u>2021</u> | <u>2020</u> |
|------------------------|-------------------|----------------|
| Software license | \$ 28,514 | 29,170 |
| Legal and professional | — | 691 |
| Lab/office space | 241,708 | 199,420 |
| | <u>\$ 270,222</u> | <u>229,281</u> |

11. RENTAL REVENUE

On February 15, 2018, the Government signed an agreement with Revere to lease a 33,500 square foot facility to be used by the Department of Veterans Affairs ("VA") for a mental wellness clinic ("VA Clinic"). The lease agreement, effective January 23, 2020, provides for a 20-year firm term. The lease agreement provides for fully serviced annual rent, as defined, of \$1,271,690, including specified annual operating expenses of \$272,772, subject to annual adjustment. Rent is to be paid monthly in arrears. In addition, the lease agreement provides for a lump sum payment to Revere in the amount of approximately \$2.2 million upon completion of construction and acceptance of the premises by the VA in 2020. In accordance with generally accepted accounting principles, such payment has been recorded as deferred revenue and is amortized over the lease term totaling approximately \$111,000 in 2021 and 2020, respectively.

In February 2015, Tech Park and Texas Tech University Health Sciences Center El Paso ("Tenant"), a state agency, entered into an agreement to lease the second floor of the Cardwell Collaborative building for a ten year term ("Lease Agreement") which began in June 2016. The Lease Agreement provides for annual rentals of \$585,600 payable in monthly installments plus Tenant's proportionate share of operating costs of the leased premises and common areas as additional rent. Tenant, at its option, may extend and renew the Lease Agreement for four additional periods of 5 years each with written notice.

The book value of underlying assets under operating leases from owned assets were as follows:

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

11. RENTAL REVENUE (continued)

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|----------------------|--------------------|
| Land and improvements | \$ 2,592,827 | 2,592,827 |
| Building and improvements | 40,572,072 | 40,406,123 |
| Less: Accumulated depreciation | <u>(4,323,794)</u> | <u>(3,306,349)</u> |
| Net book value | <u>\$ 38,841,105</u> | <u>39,692,601</u> |

Minimum rentals under the lease agreements at December 31, 2021 are as follows:

Year ending December 31,

| | |
|------------|----------------------|
| 2022 | \$ 1,944,167 |
| 2023 | 1,857,290 |
| 2024 | 1,857,290 |
| 2025 | 1,857,290 |
| 2026 | 1,515,690 |
| Thereafter | <u>16,638,075</u> |
| | <u>\$ 25,669,802</u> |

12. FUNCTIONALIZED EXPENSES

The Consolidated Statement of Functional Expenses reports certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include depreciation, salaries and wages, benefits, payroll taxes, professional and contract services, marketing and PR, office and other administrative expenses and insurance.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent amounts received or committed with donor restrictions, which have not yet been expended for their designated purposes (purpose-restricted); amounts with donor capital restrictions, which will be recognized when the assets are placed in service (capital restricted); and amounts for general use in future periods (time restricted).

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

13. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions consisted of the following at December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|---------------------|--------------------|
| Subject to specific purpose: | | |
| Programs | \$ 2,871,171 | 2,782,543 |
| Investment in property and equipment | — | 40,482 |
| Subject to passage of time | <u>2,119,907</u> | <u>1,999,242</u> |
| | <u>\$ 4,991,078</u> | <u>4,822,267</u> |

14. INCOME TAXES

At December 31, 2021 and 2020, RedSky has available net operating loss carry-forwards of approximately \$4 million for federal income tax purposes which substantially expire on various dates through 2036. The federal tax carry-forwards resulted from cumulative operating losses generated through December 31, 2021. A valuation allowance for the full amount of the deferred tax assets relating to such tax loss carryforwards has been recorded.

Generally, for tax years which produce net operating losses, the statute of limitations does not close, to the extent of these tax attributes, until the expiration of the statute of limitations for the tax year in which they are fully utilized.

15. RELATED PARTY TRANSACTIONS

During 2021 and 2020, contributions from certain officers, members of the Board and entities with common board members totaled approximately \$600,000 in 2021 and \$135,000 in 2020. Undiscounted pledges and contributions receivable from such related parties were approximately \$50,000 as of December 31, 2020.

During 2021 and 2020, MCA utilized customary banking services, such as depository and lending activities, from local banking institutions where certain directors and officers are also directors and shareholders of such banking institution. Loans totaling approximately \$3.4 million in 2021 and \$1 million in 2020 to such banking institutions are outstanding as more fully described in Note 8 and included in the Consolidated Statements of Financial Condition. Interest expense totaling \$70,000 in 2021 and \$30,000 in 2020 are included in the Consolidated Statements of Activities.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

16. SUBSEQUENT EVENTS

Subsequent to December 31, Foundation through its wholly owned subsidiary, BMIA, Inc., organized certain Delaware, for profit entities to provide early-stage venture capital funds to startup companies as part of building the region's technology ecosystem and creating a culture of innovation that attracts, R&D, advanced manufacturing and retains talented professionals. Ecotone Investment Fund I, LP is dedicated to providing value and relationships between startup founders and assets in the region by investing in companies that have high business potential with investment funds provided by accredited investors in the region that share similar objectives. The Fund expects to make its first investments in the spring of 2022. BMIA is the sole member of the Fund's management company and minority member of the Fund's general partner.

SUPPLEMENTARY INFORMATION

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**
Consolidating Statement of Financial Position
December 31, 2021

| | Medical Center of the Americas Foundation | MCAmericas Holdings, Inc. | MCAmericas Realty, Inc. | BMIA, Inc. | MCA Tech Park, Inc. | MCA Revere Realty, Inc. | Eliminations | Consolidated |
|---|--|--------------------------------------|------------------------------------|-------------------|--------------------------------|------------------------------------|---------------------|---------------------|
| Assets | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and cash equivalents | \$ 3,659,704 | 1,000 | 797 | 17,886 | 260,247 | 768,555 | — | 4,708,189 |
| Grants, contributions and accounts receivable | 4,483,424 | 19,783 | 4,274 | — | 3,462,110 | — | (5,798,885) | 2,170,706 |
| Prepaid expenses and other current assets | 23,638 | — | 6,991 | — | 20,284 | 15,818 | — | 66,731 |
| Total current assets | 8,166,766 | 20,783 | 12,062 | 17,886 | 3,742,641 | 784,373 | (5,798,885) | 6,945,626 |
| Non-current assets: | | | | | | | | |
| Restricted cash and cash equivalents | 408,494 | — | — | — | 346,457 | 603,145 | — | 1,358,096 |
| Property and equipment, net | 56,109 | — | 5,233,120 | — | 23,693,552 | 15,315,208 | — | 44,297,989 |
| Investment in BMIA | 3,680,599 | — | — | — | — | — | (3,680,599) | — |
| Other | 21,876 | — | 89,975 | — | 480 | 514,745 | — | 627,076 |
| Total assets | <u>\$ 12,333,844</u> | <u>20,783</u> | <u>5,335,157</u> | <u>17,886</u> | <u>27,783,130</u> | <u>17,217,471</u> | <u>(9,479,484)</u> | <u>53,228,787</u> |
| Liabilities and Net Assets | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable | \$ 3,483,187 | 1,000 | 1,155,635 | 408,000 | 976,516 | 94,924 | (5,798,885) | 320,377 |
| Accrued expenses and other liabilities | 32,192 | 19,783 | 1,284 | 1,283 | 1,283 | 1,284 | — | 57,109 |
| Contributions payable | 612,000 | — | — | — | — | — | — | 612,000 |
| Current portion of long-term debt | — | — | — | — | 297,630 | — | — | 297,630 |
| Deferred lease revenue | 3,576 | — | — | — | — | 111,410 | — | 114,986 |
| Refundable advances | 347,710 | — | — | — | — | — | — | 347,710 |
| Total current liabilities | 4,478,665 | 20,783 | 1,156,919 | 409,283 | 1,275,429 | 207,618 | (5,798,885) | 1,749,812 |
| Deferred lease revenue | — | — | — | — | — | 1,900,637 | — | 1,900,637 |
| Long-term debt, net | — | — | 3,827,728 | — | 21,511,083 | 15,796,303 | — | 41,135,114 |
| Total liabilities | <u>4,478,665</u> | <u>20,783</u> | <u>4,984,647</u> | <u>409,283</u> | <u>22,786,512</u> | <u>17,904,558</u> | <u>(5,798,885)</u> | <u>44,785,563</u> |
| Net assets: | | | | | | | | |
| Common stock | — | — | — | 1,000 | — | — | (1,000) | — |
| Additional paid in capital | — | — | — | 3,679,599 | — | — | (3,679,599) | — |
| Without donor restrictions | 2,864,101 | — | 350,510 | (4,071,996) | 4,996,618 | (687,087) | — | 3,452,146 |
| With donor restrictions | 4,991,078 | — | — | — | — | — | — | 4,991,078 |
| Total net assets | 7,855,179 | — | 350,510 | (391,397) | 4,996,618 | (687,087) | (3,680,599) | 8,443,224 |
| Total liabilities and net assets | <u>\$ 12,333,844</u> | <u>20,783</u> | <u>5,335,157</u> | <u>17,886</u> | <u>27,783,130</u> | <u>17,217,471</u> | <u>(9,479,484)</u> | <u>53,228,787</u> |

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidating Statement of Financial Position

December 31, 2020

| | Medical Center of the Americas Foundation | MCAmericas Holdings, Inc. | MCAmericas Realty, Inc. | BMIA, Inc. | MCA Tech Park, Inc. | MCA Revere Realty, Inc. | Eliminations | Consolidated |
|--|--|--------------------------------------|------------------------------------|-------------------|--------------------------------|------------------------------------|---------------------|---------------------|
| Assets | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and cash equivalents | \$ 2,735,985 | 26,000 | 194,683 | 18,661 | 417,478 | 840,220 | — | 4,233,027 |
| Grants, contributions and accounts receivable | 3,490,637 | 18,267 | 2,991 | — | 3,243,868 | — | (4,736,746) | 2,019,017 |
| Prepaid expenses and other current assets | 44,375 | — | 108 | — | 12,754 | 8,511 | — | 65,748 |
| Total current assets | 6,270,997 | 44,267 | 197,782 | 18,661 | 3,674,100 | 848,731 | (4,736,746) | 6,317,792 |
| Non-current assets: | | | | | | | | |
| Restricted cash and cash equivalents | 408,119 | — | — | — | 346,457 | 741,920 | — | 1,496,496 |
| Contributions receivable restricted to investment in property and equipment | 40,483 | — | — | — | — | — | — | 40,483 |
| Property and equipment, net | 39,332 | — | 1,961,516 | — | 24,325,894 | 15,672,600 | — | 41,999,342 |
| Investment in BMIA | 3,678,132 | — | — | — | — | — | (3,678,132) | — |
| Other | — | — | 68,993 | — | 39,176 | 546,592 | — | 654,761 |
| Total assets | \$ 10,437,063 | 44,267 | 2,228,291 | 18,661 | 28,385,627 | 17,809,843 | (8,414,878) | 50,508,874 |
| Liabilities and Net Assets | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable | \$ 3,291,360 | 1,000 | 129,301 | 394,401 | 783,466 | 384,907 | (4,736,746) | 247,689 |
| Accrued expenses and other liabilities | 34,724 | 18,267 | 1,266 | 1,267 | 1,267 | 1,267 | — | 58,058 |
| Contributions payable | 612,000 | — | — | — | — | — | — | 612,000 |
| Current portion of long-term debt | — | — | — | — | 284,375 | — | — | 284,375 |
| Deferred lease revenue | 10,358 | — | — | — | — | 111,410 | — | 121,768 |
| Total current liabilities | 3,948,442 | 19,267 | 130,567 | 395,668 | 1,069,108 | 497,584 | (4,736,746) | 1,323,890 |
| Deferred lease revenue | — | — | — | — | — | 2,012,048 | — | 2,012,048 |
| Long-term debt, net | 222,400 | — | 1,380,090 | — | 21,688,248 | 15,649,377 | — | 38,940,115 |
| Total liabilities | 4,170,842 | 19,267 | 1,510,657 | 395,668 | 22,757,356 | 18,159,009 | (4,736,746) | 42,276,053 |
| Net assets: | | | | | | | | |
| Common stock | — | — | — | 1,000 | — | — | (1,000) | — |
| Additional paid in capital | — | — | — | 3,677,132 | — | — | (3,677,132) | — |
| Without donor restrictions | 1,455,704 | 13,250 | 717,634 | (4,055,139) | 5,628,271 | (349,166) | — | 3,410,554 |
| With donor restrictions | 4,810,517 | 11,750 | — | — | — | — | — | 4,822,267 |
| Total net assets | 6,266,221 | 25,000 | 717,634 | (377,007) | 5,628,271 | (349,166) | (3,678,132) | 8,232,821 |
| Total liabilities and net assets | \$ 10,437,063 | 44,267 | 2,228,291 | 18,661 | 28,385,627 | 17,809,843 | (8,414,878) | 50,508,874 |

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidating Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2021

| | Medical Center of the Americas Foundation | MCAmericas Holdings, Inc. | MCAmericas Realty, Inc. | BMIA, Inc. | MCA Tech Park, Inc. | MCA Revere Realty, Inc. | Eliminations | Consolidated |
|-----------------------------------|--|------------------------------|----------------------------|-------------|------------------------|----------------------------|--------------|--------------|
| Changes in net assets | | | | | | | | |
| Revenue and support: | | | | | | | | |
| Contributions | \$ 694,469 | — | — | — | — | — | — | 694,469 |
| Grants | 3,731,717 | 16,657 | 40,244 | — | — | — | (81,901) | 3,706,717 |
| In-kind | 270,222 | — | — | — | — | — | — | 270,222 |
| Management fees | 421,200 | — | — | — | — | — | (421,200) | — |
| Rent | 593,935 | — | 151,615 | — | 1,931,814 | 1,387,775 | (1,126,526) | 2,938,613 |
| Interest | 14,684 | — | 510 | — | — | 170 | (13,599) | 1,765 |
| Other | 2,500 | — | — | — | 372 | — | — | 2,872 |
| Total revenue and support | 5,728,727 | 16,657 | 192,369 | — | 1,932,186 | 1,387,945 | (1,643,226) | 7,614,658 |
| Expenses: | | | | | | | | |
| Programs: | | | | | | | | |
| Biomedical Cluster | 1,862,058 | — | — | 15,574 | 879,691 | — | (405,535) | 2,351,788 |
| Infrastructure | 1,370,117 | — | 258,377 | — | 1,627,417 | 1,724,582 | (792,837) | 4,187,656 |
| Other | 141,686 | — | — | — | — | — | (13,438) | 128,248 |
| Supporting activities: | | | | | | | | |
| Management and general | 763,467 | 41,657 | 1,413 | 1,283 | 56,731 | 1,284 | (131,600) | 734,235 |
| Fundraising | 2,441 | — | — | — | — | — | (113) | 2,328 |
| Total expenses | 4,139,769 | 41,657 | 259,790 | 16,857 | 2,563,839 | 1,725,866 | (1,343,523) | 7,404,255 |
| INCREASE (DECREASE) IN NET ASSETS | 1,588,958 | (25,000) | (67,421) | (16,857) | (631,653) | (337,921) | (299,703) | 210,403 |
| NET ASSETS, Beginning of year | 6,266,221 | 25,000 | 717,634 | (4,055,139) | 5,628,271 | (349,166) | — | 8,232,821 |
| Intercompany reclassifications | — | — | (299,703) | — | — | — | 299,703 | — |
| NET ASSETS, End of year | \$ 7,855,179 | — | 350,510 | (4,071,996) | 4,996,618 | (687,087) | — | 8,443,224 |

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020

| | Medical Center of the Americas Foundation | MCAmericas Holdings, Inc. | MCAmericas Realty, Inc. | BMIA, Inc. | MCA Tech Park, Inc. | MCA Revere Realty, Inc. | Eliminations | Consolidated |
|-----------------------------------|--|--------------------------------------|------------------------------------|-------------------|--------------------------------|------------------------------------|---------------------|---------------------|
| Changes in net assets | | | | | | | | |
| Revenue and support: | | | | | | | | |
| Contributions | \$ 425,355 | — | — | — | — | — | — | 425,355 |
| Grants | 3,034,189 | 82,588 | 273,782 | — | — | 3,678 | (334,996) | 3,059,241 |
| In-kind | 228,590 | — | 691 | — | — | — | — | 229,281 |
| Management fees | 314,400 | — | — | — | — | — | (314,400) | — |
| Rent | 145,080 | — | 84,143 | — | 1,895,370 | 1,301,208 | (1,114,217) | 2,311,584 |
| Interest | 16,235 | — | — | — | — | 1,513 | (14,246) | 3,502 |
| Gain on sale of property | — | — | 236,932 | — | — | — | — | 236,932 |
| Other | 18,125 | — | — | — | 42,631 | — | — | 60,756 |
| Total revenue and support | 4,181,974 | 82,588 | 595,548 | — | 1,938,001 | 1,306,399 | (1,777,859) | 6,326,651 |
| Expenses: | | | | | | | | |
| Programs: | | | | | | | | |
| Biomedical Cluster | 2,169,470 | — | — | 21,571 | 1,024,560 | — | (761,188) | 2,454,413 |
| Infrastructure | 1,460,236 | — | 120,576 | — | 1,530,547 | 1,597,973 | (810,179) | 3,899,153 |
| Other | 155,621 | — | — | — | — | — | (21,063) | 134,558 |
| Supporting activities: | | | | | | | | |
| Management and general | 717,415 | 57,588 | 7,703 | 1,865 | 54,922 | 1,311 | (183,771) | 657,033 |
| Fundraising | 46,520 | — | — | — | — | — | (1,658) | 44,862 |
| Total expenses | 4,549,262 | 57,588 | 128,279 | 23,436 | 2,610,029 | 1,599,284 | (1,777,859) | 7,190,019 |
| (DECREASE) INCREASE IN NET ASSETS | (367,288) | 25,000 | 467,269 | (23,436) | (672,028) | (292,885) | — | (863,368) |
| NET ASSETS, Beginning of year | 6,633,509 | — | 250,365 | (4,031,703) | 6,300,299 | (56,281) | — | 9,096,189 |
| NET ASSETS, End of year | \$ 6,266,221 | 25,000 | 717,634 | (4,055,139) | 5,628,271 | (349,166) | — | 8,232,821 |

See accompanying notes to consolidated financial statements.